



Alexander Forbes

An integrated value proposition delivering market-leading employee and risk benefits consulting, retirement and investment solutions to clients, with a strong focus on sub-Saharan Africa

June 2014



ALEXANDERFORBES
Securing your financial well-being

Agenda

1 Alexander Forbes today

2 Update on FY14 results

Alexander Forbes: securing our clients' financial wellbeing

Our Higher Purpose: We provide our clients with peace of mind through securing their financial well-being

Create

Grow

Protect

Retirement

Investment

**Health and Risk
Benefits**

Life

**Personal Lines
Insurance**

Advice and Implementation

Advice, Broking and Implementation

...through our leading brands...


ALEXANDERFORBES

Investment
Solutions 

 **LCP** INSIGHT
CLARITY
ADVICE

Strong institutional pedigree with growth potential...

Core business

1 Alexander Forbes Financial Services ("AFFS")

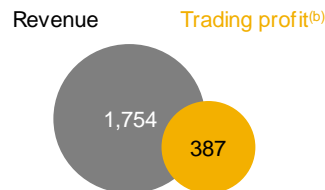
What the business does

- Largest retirement fund administrator in South Africa with 977k active member records under administration
- Key pillars of the business
 - **Consulting and actuarial services:** employee benefits, health, asset and actuarial consulting and insurance consulting
 - **Retail consulting:** financial planning consulting and private client wealth consulting
 - **AF Life:** individual and group life products
 - **Operations and maintenance:** administration for umbrella and retirement funds

Market positioning

Institutional market share	• Market leader in the Employee Benefits consulting, actuarial space and administration
Retail market share	• Investing to grow the retail market share
Market Differentiator	• Trusted advisors, multi award winner in administration, consulting and actuarial

Business performance (R'm^(a))



2 Investment Solutions ("IS")

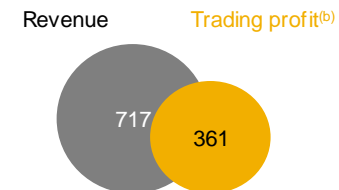
What the business does

- IS's core business model is the confluence of investment and portfolio administration and product packaging and asset consulting, with R285bn AuM / AuA
- Key pillars of the business
 - **Institutional multi-manager:** create a range of specialist and multi-asset portfolios
 - **Retail:** provide portfolios suitable to independent financial advisors' needs
 - **Platform business**
 - **Caveo:** hedge fund of funds

Market positioning

Institutional market share	• Multi-manager market leader
Retail market share	• New entrant in the IFA ^(d) market
Market Differentiator	• Truly independent of asset managers

Business performance (R'm^(a))



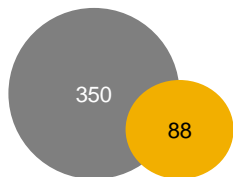
(a) Based on FY2014A data, except risk based profits split which is based on FY2013A data
 (b) Profit from operations excluding IFRS lease adjustment
 (c) Employee benefits consulting, asset and actuarial consulting and pension fund administration peers
 (d) Independent financial advisers

...and the ability to leverage existing strengths for effective diversification

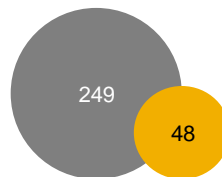
Product diversification		Geographic diversification	
3 Alexander Forbes Insurance ("AFI")		4 AfriNet	
What the business does <ul style="list-style-type: none"> Motor and household insurance Business insurance Insurance administration services 		What the business does <ul style="list-style-type: none"> Employee benefits, actuarial and asset management consulting, administration services and risk benefits Operates in Botswana, Kenya, Namibia, Nigeria, Uganda and Zambia 	
Market positioning		Market positioning	
Institutional market share	<ul style="list-style-type: none"> New entrant with growth aspirations 	Institutional market share	<ul style="list-style-type: none"> Market leader in Botswana, Namibia and Kenya Growing in all other markets
Retail market share	<ul style="list-style-type: none"> Growing its retail market share and cross-selling into our institutional base 	Retail market share	<ul style="list-style-type: none"> Namibia, Kenya, Botswana
Market differentiator	<ul style="list-style-type: none"> Lowest repudiation rate, <1% Excellent growth and margins 	Market differentiator	<ul style="list-style-type: none"> Market leadership, pioneer, best recognized
Business performance (R'm^(a))		Business performance (R'm^(a))	

Geographic diversification	
5 AF International	
What the business does <ul style="list-style-type: none"> Employee benefits, health and retirement fund actuarial consulting and investment consulting Operates in the United Kingdom, Abu Dhabi, Belgium, Ireland, Netherlands 	
Market positioning	
Institutional market share	<ul style="list-style-type: none"> Growing its institutional market share
Retail market share	<ul style="list-style-type: none"> Minimal
Market differentiator	<ul style="list-style-type: none"> Known as best investment strategic advisors, award winner, 5 years in a row in the UK
Business performance (R'm^(a))	

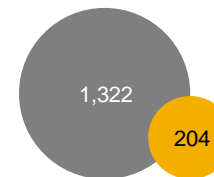
Revenue Trading profit^(b)



Revenue Trading profit^(b)



Revenue Trading profit^(b)



(a) Based on FY2014A data, except risk based profits split which is based on FY2013A data
 (b) Profit from operations excluding IFRS lease adjustment

Alexander Forbes – Key differentiators

Strong institutional integrity and capacity

- The business has been repositioned...
 - Sale of the African Risk Services business (broking)
 - Sale of selected UK operations: AFCA, IS and MIS
 - Sale of Guardrisk
- .. through focused investment in employees and culture
 - Employee engagement index increased from 55.4% in 2012 to 59.6% in 2014
 - Positively engaged employees increased from 45% in 2012 to 56% in 2014



Optimally positioned across the value chain

- Provides a compelling and holistic offering across the value chain
 - Administration > Advice > Distribution > Multi-manager/ manufacturing
- This creates the basis for leverage into AF growth strategies:
 - AfriNet
 - Retail
 - Public Sector

Strong financial fundamentals

- Strong, predictable income and earnings
- Significant room to grow underpinned by an enabling macro environment

Agenda

1 Alexander Forbes today

2 Update on FY14 results

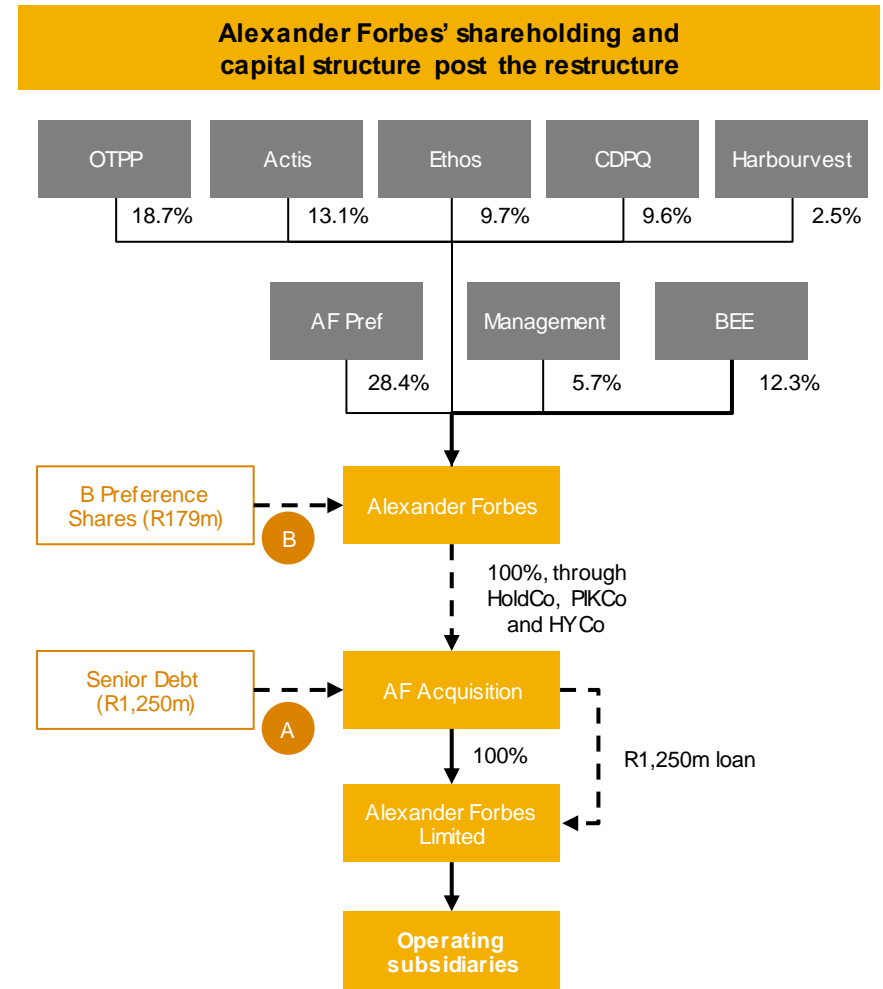
Balance sheet restructure of Alexander Forbes

- The Group undertook a restructure, which was completed on 31 March 2014
- The rationale for the restructure was to optimise and simplify the capital structure of the Group and to ensure compliance with regulatory changes to be brought about by the interim measures for insurance groups
- The capital restructure completed at 31 March 2014 was structured with the intention that the normal ongoing cash flows for the first half of FY 2015 can be utilised to bring the group in line with a regulatory capital compliant position of “own funds” before the 1 January 2015 deadline of the implementation by the RSB of the group supervision

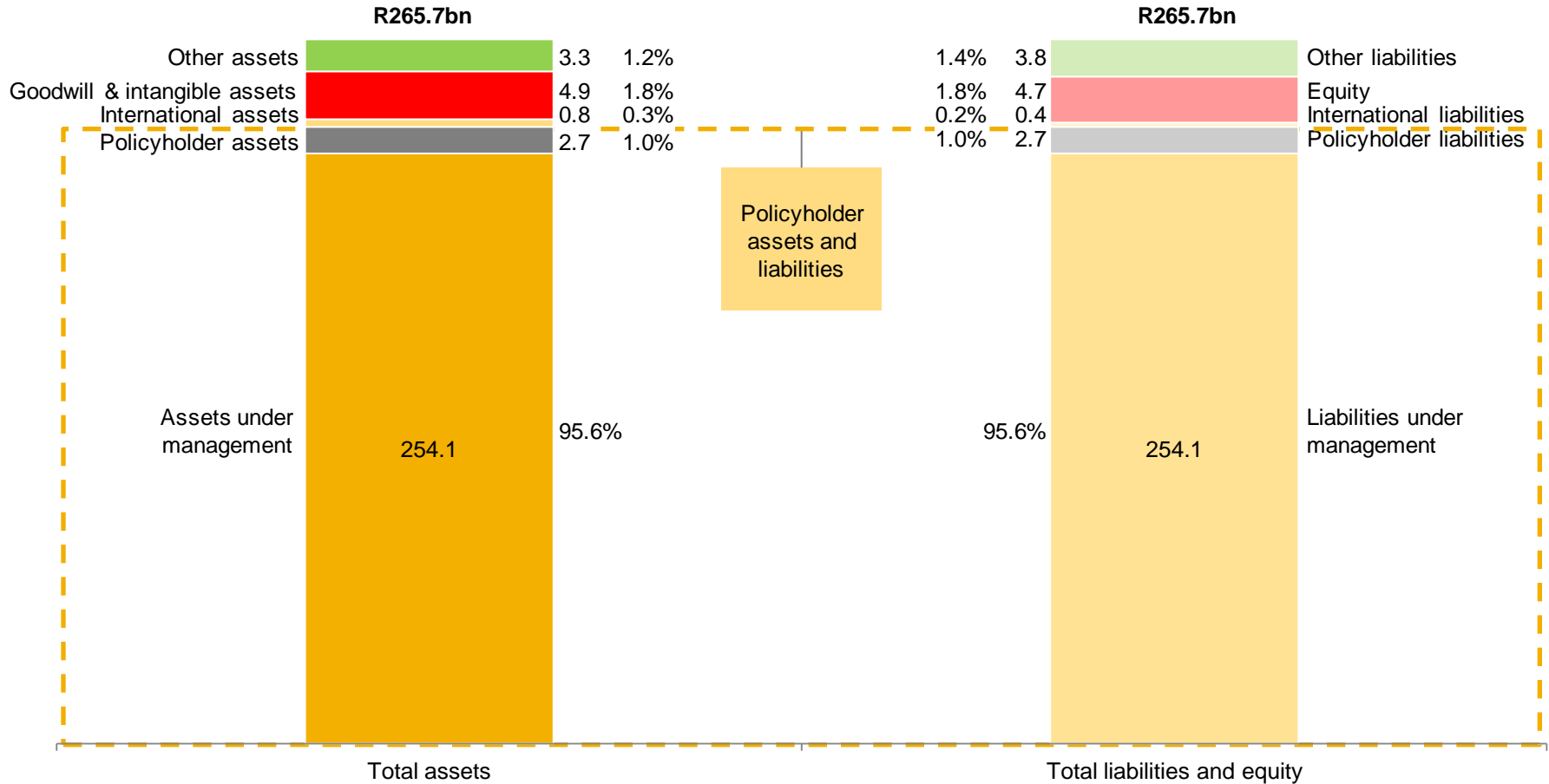
A Post restructure the company has an unsecured term loan facility (“Senior Debt”) of R1,250m obtained on 31 March 2014

- The term loan bears interest at three months JIBAR plus 2.1% per annum compounded quarterly. The interest is payable quarterly while the capital is repayable in three years together with any unpaid interest on 31 March 2017.

B Upon completion of the restructure, c.21m B Preference Shares (R179m) remained in issue, which will be redeemed at Listing



Group balance sheet overview (as of 31 March 2014)



Group income statement

(R'm unless otherwise stated)	2013A	2014A	% change FY13A-FY14A
Revenue	4,388	5,193	18%
Total direct costs	(651)	(801)	23%
1 Net revenue	3,737	4,392	18%
Operating expenses	(2,812)	(3,352)	19%
2 Profit from operations	925	1,040	12%
Non-trading and capital items	(113)	(108)	(4%)
Operating profit	812	932	15%
Investment income	129	233	81%
Finance costs	(848)	(843)	(1%)
Share of net profit of associates (net of income tax)	1	2	na
Profit before taxation	94	324	245%
Income tax expense	(192)	(361)	
Loss for the year from continuing operations	(98)	(37)	
Profit/(loss) on discontinued operations (net of income tax)	(10)	542	
Profit/(loss) for the year	(108)	505	

Source: Management information

1 Net revenue (by division)

(R'm unless otherwise stated)	2013A	2014A	% change FY13A-FY14A
AFFS	1,603	1,754	9%
Investment Solutions	635	717	13%
Alexander Forbes Insurance	307	350	14%
AfriNet	202	249	23%
AF International	990	1,322	34%
Total	3,737	4,392	18%

Source: Management information

2 Profit from operations (by division)

(R'm unless otherwise stated)	2013A	2014A	% change FY13A-FY14A
AFFS	365	387	6%
Investment Solutions	311	360	16%
Alexander Forbes Insurance	80	88	10%
AfriNet	36	48	33%
AF International	141	204	46%
Group adjustment for property leases	(8)	(47)	na
Total	925	1,040	12%

Source: Management information

Non-trading and capital items

(R'm unless otherwise stated)	2013A	2014A
Professional indemnity insurance cell captive result	24	64
Amortisation of intangible assets arising from business combination	(144)	(144)
Corporate restructuring costs	-	(60)
Other non-trading items	7	32
Total non-trading and other capital items	(113)	(108)

Source: Management information

Understanding the financial metrics and outlook

Understanding the FY 2014 numbers better...

- On 31 March 2014, the group completed a capital restructure. As a result, the income statement for FY2014 is not fully reflective of this restructure and other items which should be considered for purposes of the assessment of 'normalised' earnings after tax
- Adjustments required for a normalisation of earnings:
 - Adding back the property lease adjustment of R47m in FY 2014 (see segmental disclosure in results)
 - Excluding non-trading and capital items
 - Finance costs should be based on R1.25bn of gross debt priced at JIBAR plus 2.1% per annum, reduced by cash generated during the course of the year paid against this borrowing
 - Investment income should exclude such income relating to individual policyholder funds tax liability
 - Normalised tax rate is 28%

Source: Management information

... and outlook for the business

- The capital restructure provides a simplified and more flexible financial position going forward
- The group is well positioned to continue to strengthen its core businesses and market leading positions even further and to drive its growth strategies with clear focus

Source: Management information



Q&A



Appendix

Our differentiators: supporting materials

1 Strong institutional integrity and capacity

Repositioning and growth delivered by highly experienced management team...

Management have simplified the business...

FY2007

FY2012 – FY2014A

- Sale of the international Risk Services business (broking)

- Sale of the African Risk Services business (broking)
- Sale of selected UK operations: AFCA, IS and MIS
- Sale of Guardrisk

...and embedded a higher purpose mentality - SERVE

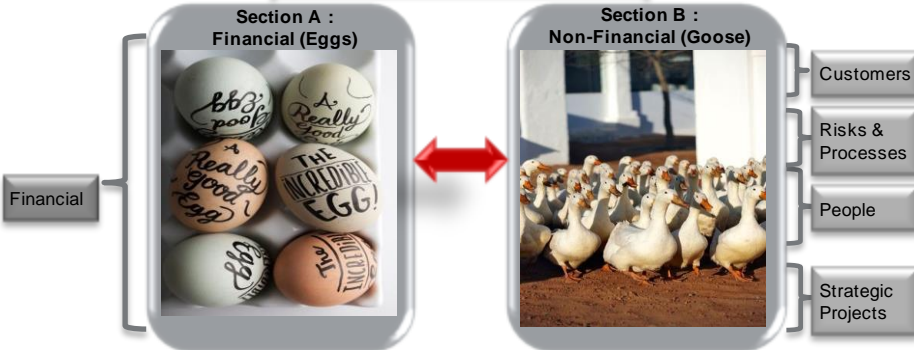


... and have created a high performance accountable culture...

Goal : Double size of business and improve sustainability

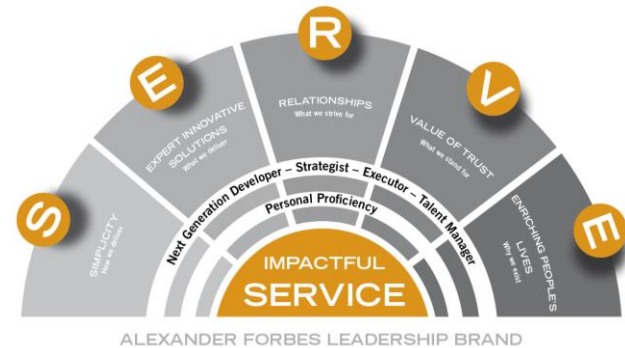
Section A :
Financial (Eggs)

Section B :
Non-Financial (Goose)



...through focused investment in leadership

- Entrenching the SERVE culture
- Commenced in 2011 with top 50 leaders
- Rolled out to next 123 leaders

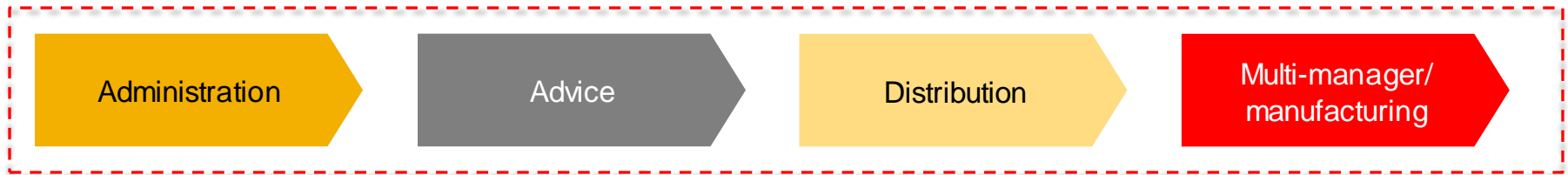


...and increased employee engagement

- Employee engagement index increased from 55.4% in 2012 to 59.6% in 2014
- Positively engaged employees increased from 45% in 2012 to 56% in 2014
- Employee turnover decreased, absenteeism reduced
- Employee participation improved from 55% in 2012 to 63% in 2014

2 Alexander Forbes is optimally positioned across the value chain

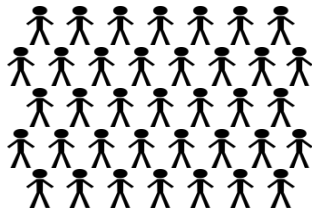
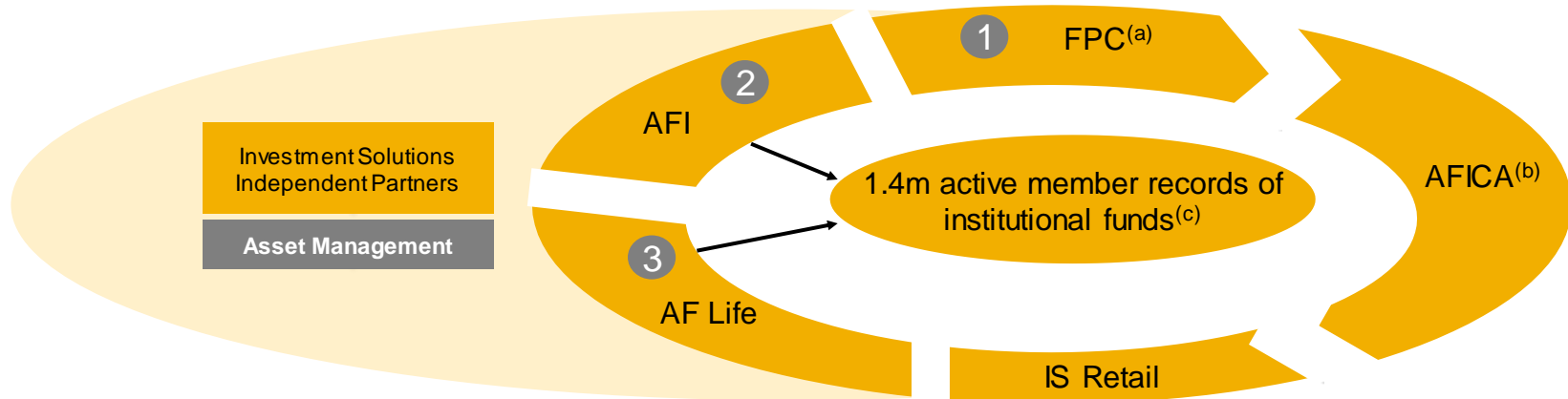
Our businesses provide a compelling and holistic offering across the value chain...



- Global trend to integrate distribution & consulting with product offering
- Alexander Forbes offers clients best-in-class solutions
- Multi-manager ensures independence

... creating the basis for leverage into our growth strategies: AfriNet, Retail and Public Sector

2 Growth strategy 1: the Retail opportunity leveraging off the institutional base



Our biggest asset is Alexander Forbes' corporate base of ~1.4m members in South Africa and sub-Saharan Africa



Our unique differentiator is the Group Trusted Advisor status, which we have earned over time, allowing us to engage with the member

Alexander Forbes has in-depth knowledge of clients, which, coupled with its early engagement strategy of the provision of advice through the protection against risk (using its product hooks of AFI and AF Life) will enable it to develop dialogue and relationships early on in a member's working career

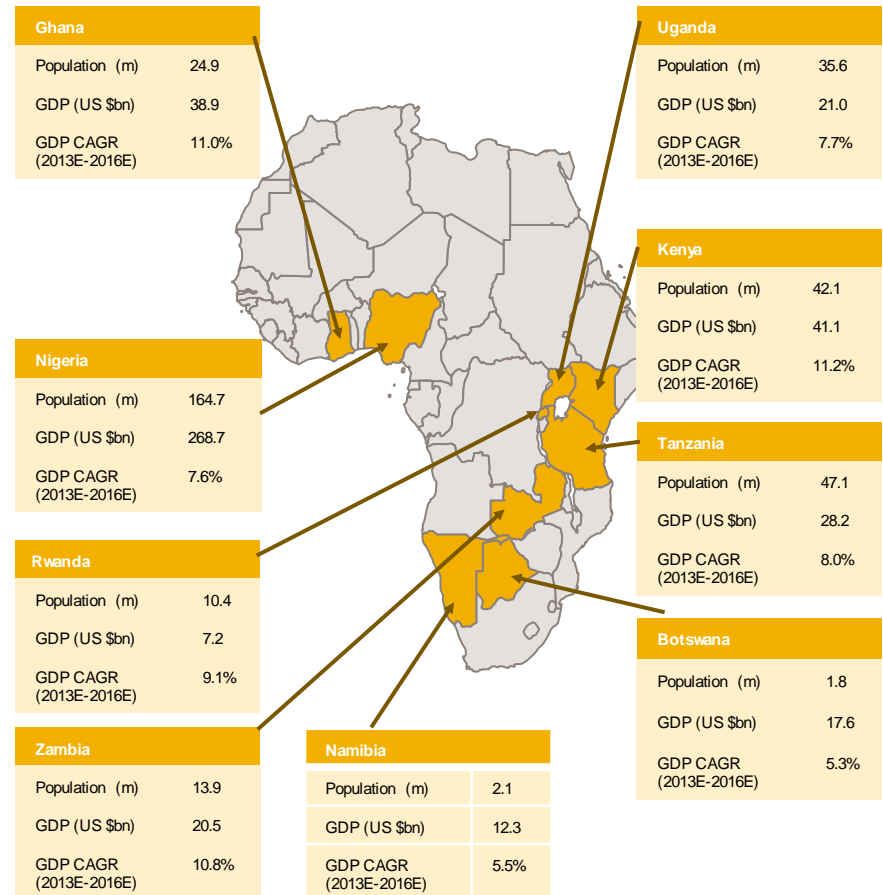
- (a) Financial Planning Consultants employed by Alexander Forbes
- (b) Alexander Forbes LISP platform for individual investors
- (c) Across South Africa and AfriNet

Successful traction in the sub-Saharan African growth strategy

- Leveraging South African services and skillset
- Strategy is to follow retirement fund reform as a low cost entry into predominantly Anglophone sub-Saharan African countries
- AfriNet leverages off the composite skillset and platform of the AF Group to provide support to local operations
- Once Alexander Forbes' brand is established then the downstream opportunities of admin, insurance and investment are pursued

(a) FY2013A
(b) South African Development Community

...utilising these hubs to expand into territories with favourable macro-economic environments and social reform



Source: IMF World Economic Outlook database, April 2013

Growth strategy 3: Focus on the Public Sector

Previously focused on less by Alexander Forbes, the Public Sector is one of the largest employers in Africa with an increasing contribution to total employment and earnings

Opportunity exists across all spheres of government

National Government (x44 Departments)

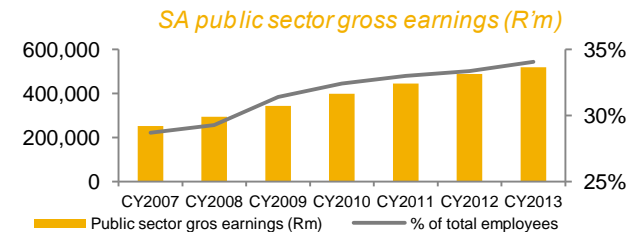
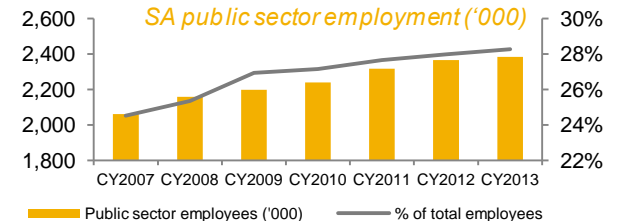
- National Departments
- Water Boards
- Higher Education Institutions
- National & Constitutional Public Entities

Provincial Government (x9 Provinces)

- Provincial Government
- Hospitals
- Further Education & Training Colleges

Local Government (x278 Municipalities)

- Metropolitan Municipalities
- District Municipalities
- Local Municipalities
- Municipal Entities

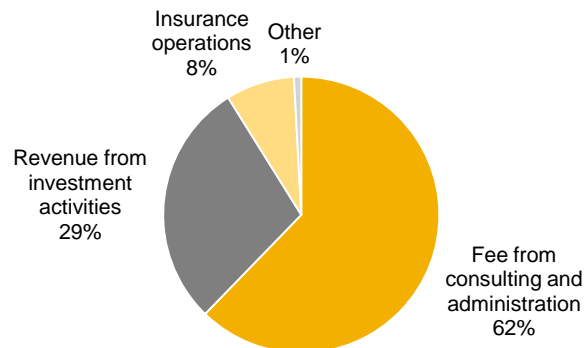


Alexander Forbes has set up a dedicated Public Sector team focusing on the opportunities arising in the Public Sector space while leveraging off the AFFS skillset

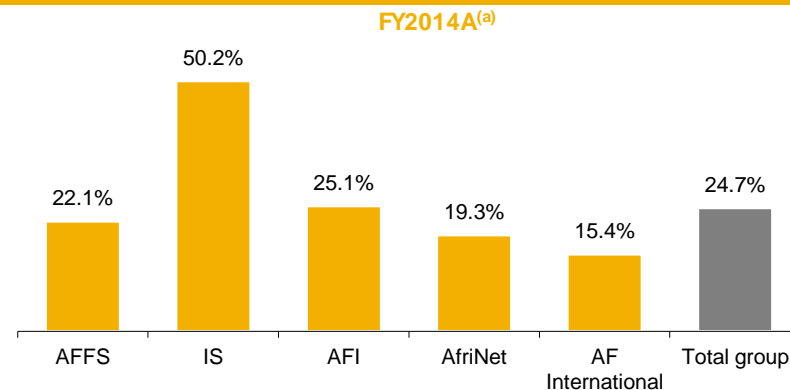
- Government is the largest employer in most African jurisdictions in which Alexander Forbes operates
- A single Alexander Forbes interface has been created to manage the public sector account
- The Public Sector Division is a strategic enabling division with a key account management function which leverages off the entire Alexander Forbes Group
- Public sector in Africa will be a key driver of future growth

Strong, predictable income and earnings with room to grow...

Strong predictable revenue with high customer retention...



...leading to relatively high trading margins...



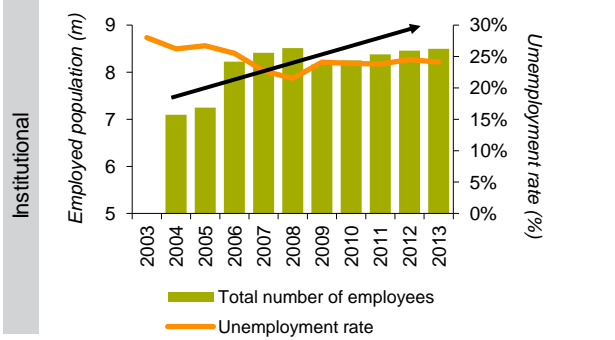
(a) Excluding IFRS lease adjustment

...and room to grow

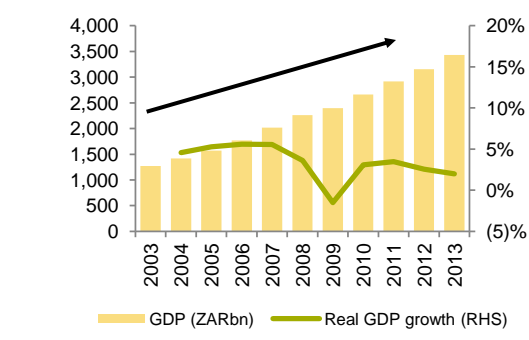
- Alexander Forbes has experienced significant dis-synergies at the centre through the disposal of various business units
- This has left capacity at the centre (in terms of people, space and processes) to absorb any new business growth in the foreseeable future

3 ...underpinned by an enabling environment

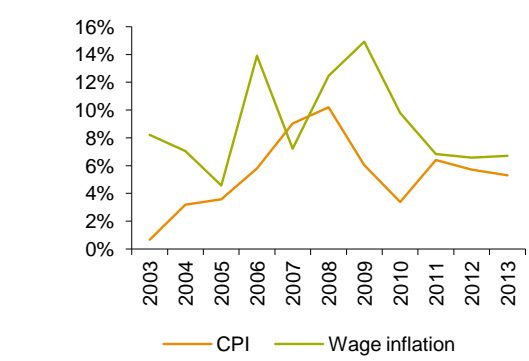
Employment numbers are rising, albeit slowly...



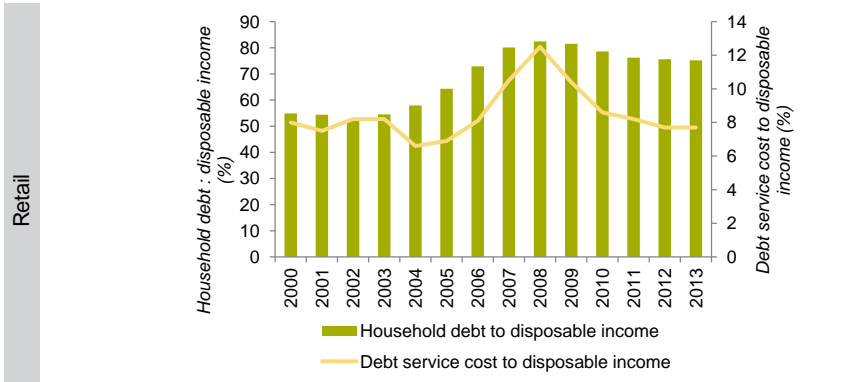
...in an economy characterised by stable GDP growth



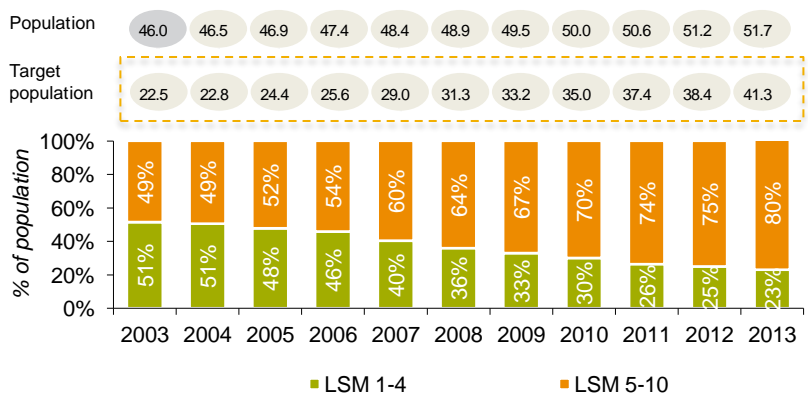
Wage inflation has consistently outpaced CPI



Household debt decline, increasing ability to save



Increasing migration to higher LSM segments



Social and retirement reform represents potential opportunities for Alexander Forbes

Source: Inet Bridge, IMF, South African Advertising Research Foundation (SAARF) Living Standards Measure

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